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ARIZONA CORPORATION COMMISSION

October 18, 2005

Chairman Jeff Hatch-Miller
Commissioner Marc Spitzer
Commissioner Mike Gleason
Commissioner Kris Mayes

Re: Shutdown of Palo Verde; APS Power Supply Adjustor Mechanism,
Docket Nos. E-01345A-05-0526 and E-01335A-03-0437

Dear Colleagues:

I was relieved to read in this morning's *Arizona Republic* that units 2 and 3 at Palo Verde will be up and running by week's end. When all three units at Palo Verde were off-line, I became progressively more concerned about the increased costs of procuring replacement power. Those concerns have been assuaged somewhat by the start-up of those units. However, unplanned outages this summer have already cost APS millions of dollars, which the utility is seeking to recover from ratepayers. Now, in light of this most recent outage I feel compelled to ask - Does APS intend to request reimbursement from ratepayers for the costs of obtaining replacement power incurred as a result of the latest shutdown of Palo Verde?

In light of these events, I request that the Commission hold a Special Open Meeting to discuss the potential impact of unplanned outages on ratepayers through the operation of the Power Supply Adjustor and potential surcharges. I realize that during the hearings in these dockets there will be an analysis of the costs incurred by APS to acquire replacement power and the prudence of those acquisitions. The discussion I want to have is one on the broader public policy issue of the equitable distribution between the company and ratepayers of the increased costs resulting from unplanned outages. I do not think that anyone envisioned outages of this length and frequency when the Commission approved the PSA in the Settlement Agreement.

Thank you for your consideration of this matter.

Sincerely,

A handwritten signature in black ink that reads "William A. Mundell".

William A. Mundell, Commissioner
Arizona Corporation Commission

cc: Brian McNeil
Ernest Johnson
Lyn Farmer
Chris Kempley